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Bangladesh

Agricultural Situation

The Bangladesh Budget FY 2007/08 - Agricultural Highlights

2007

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Report Highlights:
To contain the spiraling prices of essential food items, the import duty on rice, wheat, lentil, onion, peas, chickpeas, and crude edible oils will remain at zero in the FY 2007/08 (July-June) government budget, announced by the interim government's Finance Advisor on June 7, 2007. The budget allocation for agricultural subsidies was increased to Tk 22.5 billion ($326 million), comprising a Tk 15 billion ($217 million) fertilizer subsidy and Tk 7.5 billion ($109 million) diesel subsidy. To supplement domestic supplies and to build adequate buffer stocks, the government plans to import 800,000 tons of foodgrains in FY 2007/08, besides private sector imports.

Includes PSD Changes: No
Includes Trade Matrix: No
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The Bangladesh caretaker government announced an overall budget of Tk 871.4 billion ($12.6 billion) for fiscal year 2007/08 (July-June), 30 percent higher than the revised FY 2006/07 budget, relying heavily on massive domestic borrowings and foreign assistance. The Annual Development Program (ADP) allocation is Tk 269.6 billion ($ 3.84 billion), of which 8.2 percent is for Agriculture. The Finance Adviser has set a higher GDP growth rate target of 7 percent for FY 2007/08 and hopes to bring inflation down to 6.5 percent.

Agriculture Focus Areas

The following are some of the proposals relating to the agriculture and rural development sectors in the FY 2007/08 Budget:

The subsidy allocation for agriculture has been increased to Tk 22.5 billion ($326 million) from Tk 11 billion ($159 million) in FY 2006/07, comprising Tk 15 billion ($217 million) for fertilizers and Tk 7.5 billion ($109 million) for diesel. The agricultural research allocation has also been increased to Tk 3.5 billion ($51 million). The current 20 per cent rebate on electricity bills for using electricity-powered pumps will continue in FY 2007/08.

The government has set an agricultural credit disbursement target of Tk 63.5 billion ($920 million) through public sector agricultural and commercial banks.

To meet the foodgrain shortfall and to build adequate grain buffer stocks, the government plans to import 800,000 tons of foodgrains, over and above imports by the private trade. Under the vulnerable group-feeding (VGF) program, the budget has allocated 400,000 tons of rice to provide subsistence coverage to five million beneficiaries across the country for eight month period. Additionally, about 600,000 tons of foodgrains will be distributed for other relief programs. In order to keep foodgrain prices under control, the government will undertake open market operations, if required.

In response to the recent outbreak of Avian Influenza, a special Tk 200 million ($2.9 million) project has been approved for the monitoring of the AI outbreak, compensation to poultry farmers, and hygienic production and marketing of poultry products. A Tk 1 billion ($14.5 million) fund has been proposed for relief operations targeted to disaster affected small farmers.

Additionally, Tk 5.5 billion ($80 million) has been allocated for rural employment generation programs for poor and marginal farmers, mostly through non-government organizations (NGOs).

Import Duty Changes

The Budget contains the following proposed changes in the import duty structure:

- Elimination of the four percent infrastructure development surcharge on all imports;

- Introduction of import duty slabs at 10 percent, 15 percent and 25 percent for raw materials, intermediate goods and finished products respectively in place of the existing 5 percent, 12 percent and 25 percent; and

- Merger of the exiting two slabs of supplementary duty (15 percent and 25 percent) into a single slab of 20 percent.

To keep staple food prices low, the budget proposes a complete withdrawal of the customs duty on crude edible oils and lentils, and continuation of duty-free imports of rice, wheat, onion, peas, chickpeas, and fertilizers.

To safeguard the interests of domestic sugarcane growers and the sugar industry, the budget has raised the import duty on raw sugar to Tk 4,000 ($58) per ton from the existing Tk 2,250 ($32.6) per ton.

Existing zero tariffs on raw cotton and oilseeds will continue through FY 2007/08.

For additional details on FY 2007/08 Budget, please visit: http://www.mof.gov.bd/